



## **2021 International Narcotics Control Strategy Report (INCSR)**

### **Volume II: Money Laundering**

#### **Argentina**

##### **OVERVIEW**

Argentina faces significant AML/CFT challenges, including those stemming from the tide of illicit proceeds from narcotics trafficking and public corruption. The Tri-Border Area (TBA), shared with Brazil and Paraguay, is one of the principal routes into Argentina for multi-billion dollar TBML, counterfeiting, drug trafficking, and other smuggling offenses. In addition, some money laundering organizations in the TBA have suspected links to the terrorist organization Hizballah. Although moving in the right direction, Argentina is still deficient compared to leading governments in the hemisphere in implementing mechanisms to prevent, detect, investigate, and prosecute money laundering and related crimes.

Since 2016, Argentina has taken significant steps to strengthen its AML/CFT regime, principally by adopting a risk-based approach to AML/CFT compliance supervision and establishing the National Committee for Combating Money Laundering and Terrorist Financing to coordinate the money laundering/terrorist financing NRAs, develop and evaluate the implementation of the national strategy to combat those crimes, and coordinate the development of policies to promote an effective AML/CFT regime. However, Argentina still has not conducted a money laundering NRA or developed AML/CFT national strategies, and the committee has yet to propose policies to strengthen the AML/CFT regime. Limited regulatory and criminal enforcement capabilities continue to raise concerns about the government's ability to reduce significantly the flow of illicit proceeds.

##### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Contraband smuggling, narcotics trafficking, and public corruption are significant sources of illicit proceeds. Drug-related crimes have increased in Argentina in the last decade, and Argentina is no longer only a transit country but also a consumer and exporter of narcotics and precursors. Tax evasion and the sale of counterfeit goods also generate significant revenue. Various sectors of the economy are vulnerable to exploitation due, in part, to the lack of effective regulatory oversight. Financial institutions, MVTs businesses, exchange houses, real estate, and gaming are particularly susceptible.

Despite improvements in recent years, Argentina lacks adequate controls at points of entry to prevent cross-border transport of contraband and bulk cash, particularly with respect to outbound enforcement. Its cash-intensive economy and a large informal sector create additional opportunities for criminals to launder illicit proceeds, and authorities have detected numerous TBML schemes. Since September 2019, the government has imposed capital controls to restrict the purchase of foreign currency, driving activity into the informal exchange market and increasing use of cash payments. Narcotraffickers and money launderers use this illegal market to launder illicit money. In October 2020, security forces arrested a

Peruvian narcotrafficker resident in Argentina suspected of laundering more than \$35 million through this market over the past year.

## **KEY AML LAWS AND REGULATIONS**

Argentina has comprehensive CDD and STR regulations, and both foreign and domestic PEPs are subject to EDD. In December 2019, the FIU issued a resolution stating all foreign PEPs are considered high risk and subject to EDD. In 2020, the National Revenue Administration implemented a new regulation requiring legal entities to provide information on beneficial ownership to deter use of these entities for illicit financing activities.

Argentina and the United States have an MLAT and participate in the Argentina-U.S. Dialogue on Illicit Finance, a bilateral initiative to identify and address shared money laundering and terror financing threats and vulnerabilities. Argentina Customs maintains an active TTU to combat TBML through shared analysis of trade data with the United States.

The FIU is the primary AML/CFT regulator for all reporting entities, including financial institutions, DNFBPs, and other sectors that deal in high-value activities. The FIU is solely responsible for the application of sanctions for non-compliance with AML/CFT requirements.

Argentina is a member of the FATF and of the GAFILAT, a FATF-style regional body. Its most recent MER can be found at:

<http://www.fatf-gafi.org/countries/ac/argentina/documents/mutualevaluationofargentina.html>.

## **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Despite recent reforms, effective implementation of the AML regime continues to be a challenge. Argentina has not initiated a money laundering NRA but has completed (but not yet published) its terrorist financing/proliferation financing NRA.

Many DNFBPs have no sectoral regulator, and the FIU does not have the resources to adequately supervise them for AML/CFT compliance.

## **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Argentina needs to continue to strengthen and professionalize its FIU to make effective its AML/CFT strategy. The FIU has an outsized role in the AML regime based on a lack of interagency coordination, its role as the DNFBP supervisor, and its unique authority to serve as a party to criminal prosecutions on AML/CFT cases.

Argentina has implemented reforms to allow enhanced use of informants, undercover officers, and cooperating witnesses in criminal investigations, though these measures are not yet in widespread use. Argentina's money laundering enforcement regime effectiveness, as measured by convictions, asset forfeiture, and regulatory enforcement, is limited. Systemic deficiencies in Argentina's justice system persist, including lengthy delays, a lack of judicial and prosecutorial independence, and inexperience among judges and prosecutors in investigating financial crimes.